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THE CANADIAN NATIONAL EXHIBITION

From the desk of the President Robert Bowman

Tuesday, April 13, 1999

Councillor Joe Pantalone
City of Toronto
City Hall
Suite 3
Toronto, Ontario
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Dear Joe,

I am pleased to attach the final version of the CNEA Business Plan, as per my letter to you of December 11th, 1998. This plan has been reviewed and accepted by the Business & Long Range Plan Task Force, the Executive Committee and the Board of Directors of the CNEA on April 9th, 1999.

I would ask that you refer this Business Plan to the Board of Governors of Exhibition Place and the City of Toronto as appropriate for approval.

Yours truly,

Bob Bowman
President, CNEA

BB/pc

1999 EXHIBITION STRATEGY AND BUSINESS PLAN



Canadian National Exhibition

March 25, 1999

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EXECUTIVE SUMMARY

In 1997, the Canadian National Exhibition Association (CNEA) commenced negotiations with The Board of Governors of Exhibition Place (BOG) to establish the CNEA as an independent organization. A memorandum of understanding (MOU) was subsequently prepared outlining the process for disentanglement. Under the MOU, the CNEA is to prepare a three year Business Plan to move towards sufficient profit for the exhibition to be operated independent of the City of Toronto. The business plan is to address three areas: the means by which the CNEA will become self supporting, the funding sources and requirements and finally, the governance and management structures necessary to follow through with the plan.

This document describes the course set by the CNEA to address these three areas. The basis of the plan is contained in the strategic directions which have been implemented for the 1999 CNE ("1999 Exhibition Strategy" below). Because the CNE is an annual event, the financial outcome of these directions will influence future planning and review. Therefore, this plan contains a workplan ("Business Workplan" below) to address ongoing business plan activities including a timetable for their completion.

The business plan identifies steps to strengthen the CNEA's finances. At this point in time however, it is not possible to establish detailed operational and financial targets. Full understanding of the expenses and revenue requirements of an independent CNEA will evolve out of the workplans plus identification of additional expenses (e.g. capital costs) and revenues not yet fully known. Associated CNEA structural issues have been addressed. During 1998, the CNEA conducted an organizational review with the objective of strengthening its management and operations. Governance issues are recognized as a critical element of effective exhibition management. Potential governance changes will be presented in a subsequent report.

The MOU presumed that all activities to achieve independence will be accomplished by January 1, 2000. Although progress is occurring it is unlikely the original timetable will be satisfied. The business plan does provide a framework within which to renegotiate the MOU to maintain the CNEA's original objectives.

1999 Exhibition Strategy

This plan begins with the position that the program content the CNE offers to the public is basically sound. As in previous years, the 1999 CNE will offer a broad range of attractions to a wide audience. The presentation will be fun, educational, and relevant. Particular attention will be paid to add colour and excitement to the park setting. Seasoned CNE fairgoers will not see much of a dramatic change in the program of previous years.

Changes have been made to the 1999 marketing, programming and revenue plans. The 1999 financial strategy is anchored in regaining admission revenue. Because of several factors leading to poor results in 1997-98, separate admission and midway pricing has been reintroduced but with key differences. Admission prices (supported by market research) have been reduced to \$7.00 adult and \$5.00 senior/child in order to attract a broad audience and to encourage repeat and casual attendance. Free corporate sponsored admissions will be replaced by two-for-one discounts redeemable only during off-peak periods. As a result overall attendance may decline from 1.7 to 1.5 million. However, the percent of paid attendance is expected to increase from 35 percent to 75 percent generating an estimated \$6.5 million revenue.

The preliminary CNEA budget assumed a small profit and revised admission calculations confirm this to be a conservative calculation. Negotiations surrounding BOG support services may reduce

expenditures further, providing the CNEA with greater profit potential. If the attendance projections are achieved and expenses controlled, the CNEA should show an improved financial return in 1999.

The marketing strategy is based on promoting the uniqueness of the overall CNE experience as opposed to highlighting specific parts of the event. Marketing activities (media relations, paid advertising and promotions) will follow strategies to fulfill the financial requirements stated above, e. g. to increase awareness of the CNE within the GTA, southern Ontario, and the U.S. tourist and travel markets. Additional contracted media services and audience targeting is expected to further strengthen media impact.

Business Workplan

The second part of the document defines the business workplans proposed to 2001.

Sections 4A-B implement steps to ensure the CNEA will be successful in completing the tasks outlined in the business workplan. Options include obtaining specialized assistance given the modest number of CNEA staff and the proportion of exhibition services delivered by third parties where the CNEA has a limited knowledge base.

Sections 4C-I provide a review of the key issues to be addressed in selected CNEA service areas. While activities in some areas (e.g. Admissions) are more advanced, all areas contain an extensive range of issues to be addressed on an ongoing basis.

Section 4J presents a timetable to complete the workplans. If adequately resourced the majority of the activities can be concluded by the 2001 exhibition. At that time the CNEA will have better knowledge to assess the exhibition's financial strengths and determine the preferred strategy for the CNEA's future operation.

The closing section profiles the CNEA's past and projected financial position.

1 CNEA BUSINESS PLAN OBJECTIVES

The exhibition was originally established by provincial statute in 1879. In association with the BOG the CNEA manages the largest exhibition in Canada and the third highest attended in North America.

Historically the BOG has directly or indirectly provided most of the CNEA's staff and services. In 1997, the CNEA commenced negotiations with the BOG to establish the CNEA as a fully independent organization. An MOU was subsequently prepared outlining the process for disentanglement. These negotiations coincided with BOG commencing to reduce its role as a CNE event service provider.

Under the MOU, the CNEA was to prepare a three year Business Plan to support its transition to autonomous operation by 2000. The business plan was to address three areas: the means by which the CNEA will become self supporting, the funding sources and requirements and finally the governance and management structures necessary to follow through with the plan. During the term of the MOU, all net profits are not returned to the City but accrue to the CNEA through a CNEA Reserve Fund established by the City. However, as required by legislation, the City was responsible for any deficit.

This business plan identifies steps to strengthen the CNEA's finances and operations. Full understanding of the expenses and revenue requirements of an independent CNEA however, will evolve out of the workplan findings. With reference to other supporting activities, structural issues have been addressed. An organizational review to strengthen management and operations was completed in 1998. Potential governance changes will be presented in a subsequent document.

The viability of a self-governing CNEA and indeed the future of the exhibition depend on the ongoing profitability of the annual exhibition. Successful completion of the business workplans will represent a considerable achievement for the CNEA by reversing a history of financial losses. The results of the workplan implementation will serve as a vehicle for CNEA management to develop fiscal and operational practices to further enhance the exhibition's administration.

2 ORGANIZATIONAL ACCOMPLISHMENTS

The CNEA has already commenced activities to support its move towards independence. In early 1998 a general manager was hired and the organization was restructured by year-end (see Appendix A). Negotiations continued with the BOG regarding the level and cost of services provided. Following the 1998 CNE, the financial impact of the admission pricing and promotions policies was critically examined and reformulated.

In 1998, the CNEA received a report detailing three future visions for the annual exhibition. These included a "Consolidated" reduced operation an "Extended" marginally expanded exhibition and finally a "Spectacular" substantially enhanced operation. The CNEA Board of Directors decided, in the short term, to maintain the traditional range of attractions appealing to a broad audience base. This will allow the CNEA to build a secure financial and operational profile based on a well understood product with the opportunity to review new directions once financial stability is achieved.

The activities undertaken, so far, by the CNEA serve as a foundation for the longer term management reviews (see Section 4 "1999-2001 Workplan") associated with this plan. As such, the workplan is a continuation of management actions underway within the CNEA.

3 1999 EXHIBITION STRATEGY

A - Product

As the 1995 and 1997 mandates clearly demonstrate, the CNEA's focus has been quite encompassing and will continue unchanged into 1999.

1995- To provide entertaining and informative activities for all visitors, building upon the traditions and heritage of the CNE and focusing on new and unique experiences in an exciting and stimulating environment.

1997 -To provide and facilitate quality events and attractions that entertain or inform visitors

It is generally recognized that the CNE programming has improved over the past two to three years. The ongoing challenge will be to ensure that the exhibition continues to present programs, which are relevant, fun and educational. These themes must remain constant. The lowering of the admission rate will backfire if the public do not feel that they are receiving true "value" in what the exhibition offers. The exhibition must continue to find and present "motivators", those two or three prime program elements, which will attract old and new patrons alike. In both 1999 and 2000, these elements will focus on the themes of the Millennium and Canada. In 1999, the 50th anniversary of the Air Show will also be a motivator.

The demolition of the stadium offers the opportunity to relocate the Midway, re-route the Express trains, and generally "tighten" the site. The west end of the grounds will be retained as a family area. Thursdays will continue to be Senior Days with appropriate activities and entertainment.

With the transfer of "Better Living" exhibitors to the National Trade Centre, the east end of the grounds will become more of an area for adults, anchored by major motivators and consumer exhibits (e.g. International Exhibitors and "Better Living")

While historical evidence suggests that "themed" years have been successful, such as the 100th anniversary of the CNE, it is not realistic to expect that every year will have sufficient reason to carry an individual theme. The themes which have been chosen for 1999 and 2000, as outlined above, are also intended to advance the planning cycle so that the CNEA will be able to announce the major motivating programs for 2001 before the 2000 CNE. This will effectively mean that planning for 2001 must begin no later than the first quarter of 2000. Thereafter, the planning cycle should be between one-and-one-half and two years ahead of each exhibition.

In summary, the program for the 1999 CNE will follow the mandate of the organization and the dual themes of Canada and the Millennium. As such, the program and related activities will closely resemble those of previous years – no radical program changes are suggested by this plan.

B - Pricing

Historically the CNEA separated admission and midway ticketing. Additionally over the last five years the CNEA promoted sponsored couponing i.e. free admission sponsored by corporate clients in order to boost attendance. In 1997-'98, the CNEA adopted a pay one-price policy including admission and unlimited midway rides. This policy coincided with increased availability of coupons especially on high volume weekends. In 1998 the CNEA suffered considerable financial loss from this combination of events. First, sponsorship pricing was undervalued in relation to the number of coupons issued (250,000 coupons were redeemed in two days during the 1998 exhibition), resulting in minimal per patron revenue. Second, many exhibition patrons with coupons did not upgrade to ride tickets, thus eliminating a second source

of CNEA admission income. The extensive use of coupons in 1998 undermined the pay-one-price strategy.

For 1999, the CNEA will return to separate admission and midway ticketing. Admission pricing has been set based on market research findings and revenue generation potential. Admission pricing was significant in influencing the number of respondents who reported they would 'definitely attend' at defined price points. The CNEA has responded by setting a \$7.00 adult and a \$5.00 senior/child admission price. Other major exhibitions experienced increased attendance and revenues following similar admission price reductions. (For further details please refer to the Pricing Strategy Report from the February 11th, 1999 meeting of the Board of Directors)

Free unrestricted couponing is eliminated for 1999. Two-for-one priced admission coupons are available off-peak periods only. This enables the CNE to offer corporate sponsors promotional opportunities while retaining a realistic revenue stream. The 1999 gate admission and sponsorship arrangements are the initial steps in a longer-term admissions strategy.

Attendance decisions by former coupon users form the key variable in the 1999 revenue projections. Projections assume that approximately 200,000 former coupon patrons will pay full gate admission. The additional revenue to offset the lower admission pricing is generated from the two-for-one weekday coupon redemption. Compared with the 1995-98 average, total attendance is anticipated to decline marginally, however paid attendance is projected to increase from 578,800 to 801,500 increasing the paid gate from 34.5 percent to 75.0 percent of total attendance.

Projected 1999 admissions and revenue is detailed below:

Projected 1999 CNEA Attendance and Income

	1995-1998 Average	1999 Estimate	1999 Revenue
PAY			
Adult (\$7)	441,828	623,500	\$4,364,500
Senior (\$5)	66,364	55,800	\$279,000
Child (\$5)	41,802	96,000	\$480,000
Advance/Group (\$5)	28,047	26,235	131,175
Total Pay	578,806	801,535	\$5,254,675
COUPON/PASSES			
Ont. Place (est.)	229,012	0	\$0
Students	66,246	50,000	\$0
Parades	27,088	40,000	\$0
Major Sponsors/Other	380,054	341,100	\$1,193,850
CNE Pass	38,294	34,000	\$0
Ont. Place Pass	2,400	0	\$0
VIP Pass	3,809	0	\$0
Total Coupons	746,903	465,100	\$1,193,850
 Staff	180,000	180,000	\$0
Concerts	18,446	0	\$0
Unassigned	107,337	65,000	\$0
Grand Total	1,675,297	1,511,635	\$6,448,525

The pricing and attendance figures generate admission revenue of \$6.45 million, marginally higher than the \$6.15 million initially budgeted. For every percent variance in paid attendance the CNEA would gain/lose \$64,000. This provides the CNEA with a small safety margin to accommodate fluctuations in volume or payment mix.

C - Promotional Strategy

The 1999 marketing strategy is based on promoting the entire event in general media and targeting specific demographic markets (e.g. multi-cultural) for individual components of the exhibition through target media. The 1999 admission rate will be a very important part of promoting the CNE. The marketing plan will include new relationships with corporate partners, a paid advertising campaign similar to previous years, a revamped media-relations program which will attempt to reach more secondary geographic markets and renewed media-relations promotions (trips, incentives etc.)

Geographic markets include:

- Primary – Toronto, GTA and the Golden Horseshoe
- Secondary - southern Ontario, upstate New York, eastern Michigan

Demographic markets include:

- Primary – families
- Targeted – multi-cultural and seniors

Specific promotional components include:

Paid Advertising

- Combination print, radio and TV mix
- Emphasis on complete CNE experience

Media Relations

- Maintain Toronto media placements
- Niche marketing to target audiences by relating to specific program elements
- Use community programs, PeeWee baseball etc. to reach beyond the GTA through local community media
- Increase live broadcast exposure whenever possible

Media Promotional Partners

- Continue prizes, promotional incentives
- Future considerations include a lottery

The recent marketing department reorganization impacts the means by which 1999 promotions will be delivered. To improve media profile, media-relations is contracted rather than delivered internally, resulting in the majority of advertising/media services now being outsourced.

D - Summary

The plan for the 1999 exhibition contains several strengths, not present in preceding years, of which the admission strategy represents the most significant element. Admission projections are more solidly grounded than in previous years. Admission pricing has been restructured to appeal to a broad audience. Additionally sponsorship arrangements are being refocused to recapture revenue. The 1998 CNEA restructuring should strengthen exhibition management and delivery. The exhibition orientation will continue unchanged providing a stable basis from which to test future program initiatives. If the admission pricing strategy proves successful and expenses are managed, the 1999 exhibition should generate an improved profit.

4 1999-2001 WORKPLAN

The following sections identify some of the key issues to be addressed in selected CNEA programs. While action plans are more developed in some areas than others, e.g. admissions, the material is intended to provide the reader with an understanding of the Business Plan's scope.

With no major change in operation, the Business Plan must achieve two basic objectives, maximizing revenue and managing expenses. Expense management includes the business decisions the CNEA must take to manage its changing relationship with the BOG.

A - Organizational Ability to Respond

The first issue is ensuring the CNEA's ability to successfully undertake the required business workplans.

Staff interviews revealed that most program areas contained significant issues to be addressed. These are in addition to the BOG disentanglement etc. The ongoing work plan will need to be a comprehensive and involved undertaking to resolve concerns which have eluded the organization to-date.

The CNEA staff consists of approximately twelve full-time operational positions. In late 1998 the CNEA reorganized introducing a new mix of contracted services and in-house staff. As a result the CNEA should have stronger program delivery components. The challenge arises in addressing two workplan areas: programs delivered by the BOG and corporate issues.

With BOG staff delivering many exhibition services, the CNEA has little internal skill base to recommend the best business decisions regarding approximately 25 percent of its annual expenditures. Additionally, there are limited staff available in the CNEA's program oriented structure to address this set of issues.

In streamlining its operations, the CNEA must address corporate issues crossing individual programs, e.g. setup and take down scheduling, asset management, central management of work orders etc. Similarly, the organization will require resources to manage this workplan portfolio. To date these issues have been addressed by drawing on external resources either from the BOG or commercially. CNEA management will continue these practices to ensure it possesses the required skills to execute successfully the various workplans.

B - Management Actions

This section identifies a number of actions, which will be taken in order to enhance management of the annual exhibition and provide a focus for the business workplans.

Defining performance

Excepting admissions, no program possesses clear goals or performance measures. The CNEA did develop program goals accompanied by measurable objectives in 1993/94. These are not current but serve as useful models for reintroduction of performance measures. Workplan assessment is largely meaningless without measurable standards reflecting the desired operation of the "new" organization. Effective management of the exhibition is equally diminished by the absence of performance objectives expected from programs and program managers. CNEA management will ensure each workplan incorporates anticipated goals and completed plans contain suitable performance benchmarks. Similarly interim management goals will be established for each program area outlining the results expected from individual program managers until the workplans are finalized.

Financial account structure

During 1998 the CNEA organization was restructured, involving realignment of operational and contracted/in-house responsibilities. Consequently the CNEA financial account structure bears little resemblance to staff's operational responsibilities and accounts infrequently rollup to consolidated program lines. Restructuring the accounts to align with management responsibilities is a basic step in establishing accountability and will be undertaken as a priority.

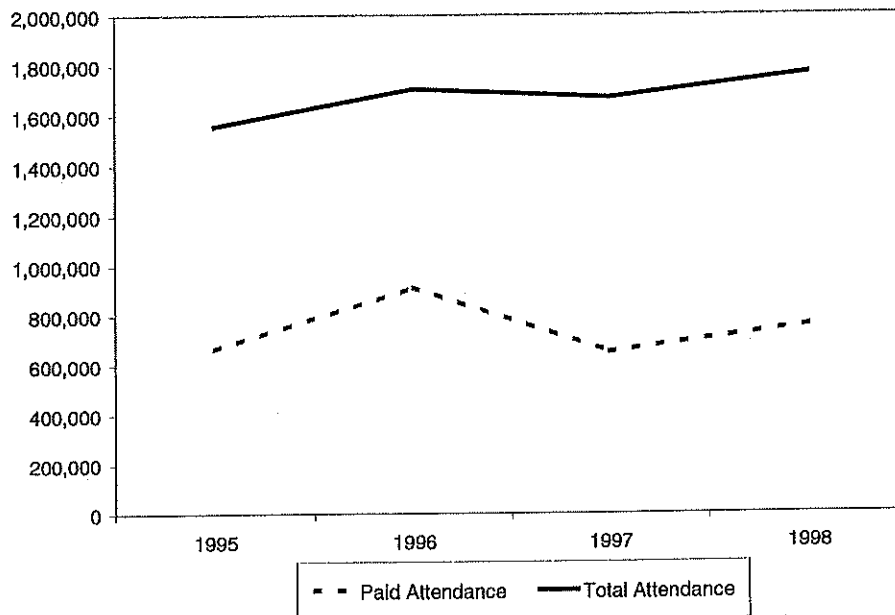
Expense management

Expenditure control is another area warranting timely attention as over-expenditure has also contributed to the CNEA's deficit. As noted above the CNEA account structure complicates expenditure control by CNEA management. CNEA staff noted that some expenditures have been regulated and assigned by BOG staff rather than the CNEA. The fact that CNEA's accounts have been managed by and form part of the BOG financial statements has influenced the perception of lost financial control. The new relationship with the BOG ensures that apart from the disentanglement negotiations the CNEA has full financial control of work orders requested and services supplied by the BOG.

C - Attendance / Admission Pricing

Admissions is the single largest revenue generator for the CNEA. As the chart below indicates, the CNEA has suffered from a decreasing proportion of patrons paying admission.

CNEA Paid and Total Attendance 1995-1998



For many years, management focused on gross attendance as a primary measure of the exhibition's success. The resultant coupon promotions used to generate attendance eroded the CNEA's financial base. Future pricing strategy must involve attracting patrons while retaining an economic return to the CNEA.

As described above, the CNE is adopting a promotional but more inclusive admission pricing in 1999 in order to recapture its major revenue stream. This will achieve management's preliminary target of increasing paid attendance to 66 percent of all visitors. Several supplementary plans are underway to enhance admission revenue.

Sponsorships

In prior years, corporate sponsors paid a set price for the opportunity to issue free admission coupons to their customers. However between 1996 and 1998 coupons accounted for up to 43 percent of total admissions. When issued on an unrestricted basis the CNEA received marginal revenue per entrant. In response the CNEA is moving from a free to a discounted admission coupon in 1999, which will increase CNEA revenue. Likewise redemption restrictions will avoid cannibalizing full fee admissions. In 2000/01 the CNEA may further benefit from examining the sponsorship arrangements (e.g. fees charged, method of promotion) to ensure that all partners benefit equitably. If sponsorship is still viewed as necessary with reduced admissions, securing sponsors for all of the 13 designated "sponsor" days represents a further revenue opportunity.

Targeted admission packages

Experience with the unlimited ride upgrade ticket has shown it was particularly appealing to certain exhibition audiences. The CNE is negotiating to continue this ticket and Conklin is evaluating other ticketing packages for 1999. Niche ticketing options may prove attractive given the broad demographic cross section of exhibition attendees. Market research will be commenced in 1999 to identify admission/ticketing packages for the 2000 exhibition.

Ontario Place revenue sharing

Historically Ontario Place and the CNEA have operated as one site during the exhibition. The CNEA has paid Ontario Place a proportion of total gate revenue estimated to represent the percentage of individuals visiting only Ontario Place. There has never been any statistical basis for the payment. Separate admission fees will be set in 1999 to accurately allocate the revenue between the two sites. This information will enable both parties to re-establish promotional rates to enhance common attendance in 2000.

Pricing and decision support data

Accurate information is a critical ingredient in setting effective pricing strategies. This includes onsite and other market research as well as attendance/payment profiles.

The current daily attendance/payment profiles provide neither consolidated nor precise data for CNEA management to effectively monitor attendance nor develop pricing/attendance scenarios. For example, Ontario Place paid admission figures were overstated threefold between 1995/96. Establishing accurate attendance data is a priority issue for 1999.

On-site interviews are conducted annually. The content and scope of the surveys will be examined to ensure they capture information needed to support CNE management decisions.

Admission management

The CNEA is issuing requests for proposals (RFPs) to contract the ticketing and gate operations for 1999. These proposals will be carefully evaluated to determine the best provision of these services. This provides the CNE with the opportunity not only to remedy the data shortfalls noted above but also to ensure that adequate entry, cash control and audit procedures are in place.

D - Parking

The BOG manages parking services for the CNEA. Vehicle volume has remained relatively static over the past three years although availability of the National Trade Centre (NTC) parking lot has increased parking capacity considerably. Parking capacity will increase further in 1999 due to the new lot covering the demolished Stadium.

Patron attendance patterns are changing e.g. longer day only stays, which affect parking revenue. The NTC parking lot, the CNEA's premium facility (1,300 vehicles) is notably underutilized and requires particular attention.

Opportunities may exist to expand parking volume and revenues through a variety of pricing and promotional initiatives. With appropriate outside support, parking can be addressed as a stand-alone workplan.

E - Attractions

In programming specific attractions, the CNEA confronts many issues which cross departmental boundaries. These include an overly abbreviated planning timetable, enhancing programs which support CNE attendance, too many venues to sustain quality programming, exploring corporate partnership as opposed to solely sponsorship arrangements. As noted earlier action is underway to resolve some of these issues with the common themes for 1999 and 2000 exhibitions and the transition to extend the planning cycles.

F - Exhibitor Rentals

The CNEA annually leases approximately 540,000 sq. ft. to commercial exhibitors across five buildings. Net revenue has remained static since 1996. For 1999 rental management has been contracted to a commercial operator. The workplan must resolve a number of fundamental challenges to the viability of this program.

The first relates to the declining importance of the CNE as a shopping venue. The Better Living Centre serves as a prime example. The emergence of focused trade and consumer shows in the GTA, such as Home, Kitchen and Craft shows, which attract consumers with specific purchasing intentions has reduced the profile of the Better Living Centre. The decline in purchasers in turn has affected exhibitors resulting in both fewer and smaller booths. Programming to attract CNEA patrons and pressure to rent available space increased cost and diluted the quality of exhibitors respectively.

The challenge is to develop replacement niche markets for a general exhibition audience. The Arts and Crafts hall in the Queen Elizabeth Building serves as a successful example. The combination of the vendors (low price artisan products) the venue (individually decorated stalls) plus ideal facility size have resulted in the ability to generate capacity rentals and an 85% vendor return rate.

The next set of issues surrounds establishing suitable vendor services and locations. With access obscured by the NTC the West Annex Shoppers World is proving difficult to maintain as an exhibitor site, experiencing a vendor turnover rate of 55 percent. For 1999, the CNE is transferring the Better Living Building vendors to the National Trade Centre, which offers more suitable retail layout. Different levels of servicing (e.g. utilities, booth displays) provided in each facility also affect profitability.

Rental rates vary by facility, partially due to services provided, but primarily to ensure vendor profitability. Developing viable exhibitor programs will provide management with the flexibility to adjust rates, which lag those of specialized consumer shows and improve profit.

As noted above a commercial contractor was retained for 1999 to manage exhibitor rentals. Included in this service contract is a post-exhibition analysis. The post exhibition analysis will be expanded to provide a workplan identifying among other things, optimal program capacity together with the detailed actions to achieve the identified program goals in future years.

G - Concessions / Casino

The CNEA negotiates concessions revenues based on percentage of sales. Uncertainty about the true value of sales is the critical issue. Present audit processes are inadequate given the operation and volume of concessions. Likewise, the relocation of booths due to the NTC construction has disrupted historical concessionaire revenue patterns. Revenue potential is significant, every percent in unreported revenue costs the CNE in excess of \$25,000. This risk will grow in 1999, as concession/midway spending tends to increase following a reduction in gate prices.

Efforts during 1999 will focus on ensuring revenue accountability by enhancing and revising auditing techniques including technology and access to concessionaires' booths. This may lead to additional income plus the opportunity to renegotiate concession percentages.

The workplan will focus on continued evaluation of concession management options, including non-cash media and direct operation of concessions. The concession program is responsible for much of the grounds layout. Considerable opportunities exist for achieving efficiencies through examining current setup and take down practices.

Given the range of issues to be addressed, items will be segregated and scheduled for action based on their potential return to the concessions/CNEA program objectives. With only two staff in the concessions section, workplan resourcing will be evaluated by management.

The CNE casino was initiated in 1991 primarily as a charity casino with limited revenue retained by the CNEA. The workplan will examine program delivery and re-evaluate the revenue arrangements in light of changes in the Ontario gaming environment over the last decade.

H - The Board of Governors Overhead Charges

Budgeted at \$3.5 million in 1999, costs for services provided by the BOG account for the largest single CNEA expense. Originally consolidated into one "overhead" charge, the BOG plans to segregate individual expenses by spring 1999 with the objective of directly billing all costs on an as-used basis.

The evaluation of the BOG's services is a two-stage process.

First, the CNEA will identify the level of service required for its exhibition operations. In terms of establishing a base service level this phase can commence immediately. In several areas, service level decisions could be affected by workplan results and may have to be revisited once these plans are finalized.

Secondly, the CNEA will evaluate options including; commercial service delivery; provision by the BOG; or direct delivery by the CNEA, for the best service delivery value.

Most of the timelines for these activities have been communicated to the BOG staff with service level analysis completed by mid 1999 and future service delivery options being assessed by the end of 1999. External services will likely be acquired for this workplan.

I - Corporate Issues

Management and governance issues are recognized as an integral element of successful business planning. As noted earlier, exhibition management has been addressed through the recent reorganization. Ensuring effective governance structures and processes are in place will be the subject of a separate report detailing recommended actions in this area.

J - Scheduling and Implementation

The following table outlines a recommended schedule to complete the business plans. The Parking, Casino and Exhibitor Rental Programs are scheduled early in the process. These programs are self contained, net revenue generators and in the case of Exhibitor Rentals contains resources to conduct the workplan. The remaining program areas are more complex and may take longer to conclude.

Depending on the resources assigned, most of the workplans should be implemented by the 2001 exhibition. To allow timely implementation, workplan reports should be presented to the CNEA Board at least six months preceding the annual exhibition.

1999-2001 Workplan Timetable

Workplan Item	1999	2000	2001
INTERIM MANAGEMENT ACTIONS			
Realign CNE Accounts	Q3		
Improve Expense Management	Q3		
Set Interim Program Goals	Q3		

PARKING PROGRAM			
Set Program Goals	Q3		
Finish Workplan	Q3		
Implement Changes/Evaluate Results	Q3/4	Q3/4	Q3/4

EXHIBITOR RENTAL			
Set Program Goals	Q3		
Finish Workplan	Q3		
Implement Changes/Evaluate Results	Q3/4	Q3/4	Q3/4

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ADMISSIONS			
Corporate Sponsorships			
-Refine Sponsorship Strategy	Q3		
-Expand Marketing/Evaluate Results	Q3/4	Q1-4	Q1-4
Admission Gate Integrity			
-Implement New Program	Q3		
Targeted Admission Packages			
-Market Research	Q3		
-Pilot Packages/Evaluate Results	Q3/4	Q3/4	Q3/4
Ontario Place Revenue Sharing			
-Confirm Revenue Split	Q4		
-Re-explore Joint Admission/Evaluate		Q1-4	Q1-4
CNE Promotions			
-Review /Evaluate	Q4	Q4	Q4
Parades			
Negotiate Admission Promotions	Q4	Q4	
Improve Data Accuracy			
Implement	Q3		
Review /Modify	Q4	Q4	Q4

CONCESSIONS			
Review audit process	Q3		
Other Areas			
-Identify Program Issues/Goals	Q3		
- Finish Workplans		Q1/2	Q1/2
-Implement Changes/Evaluate Results		Q3/4	Q3/4

CASINO			
Identify Program Issues/Goals	Q3		
Finish Workplans	Q4		
Implement Changes/Evaluate Results		Q3/Q4	Q3/Q4

MARKETING			
-Identify Program Issues/Goals	Q3		
- Finish Workplans	Q4		
-Implement Changes/Evaluate Results		Q3/Q4	Q3/Q4

THE BOARD OF GOVENORS			
OVERHEAD EXPENSES			
Set Interim Service Levels	Q3		
Prepare Service Option Workplan	Q3		
Finish Workplans	Q4		
Implement Changes/Evaluate Results		Q3/Q4	Q3/Q4

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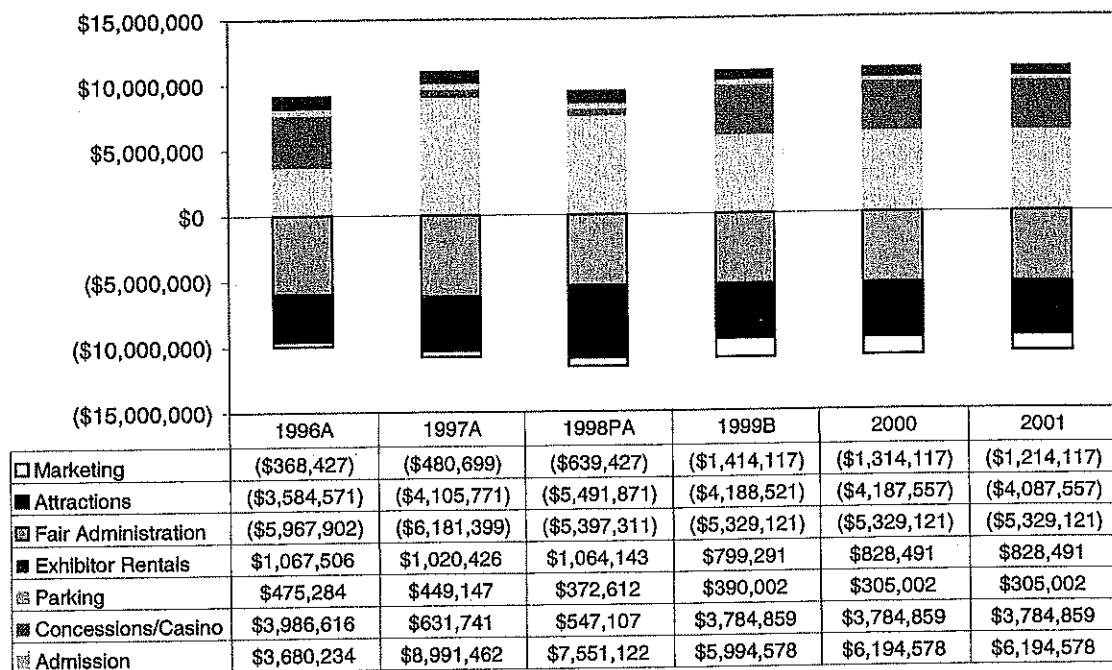
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CORPORATE ISSUES			
Identify Issues/Goals	Q3		
Set Workplan Schedule	Q3		
Finish Workplans	Q4	Q1-4	Q1-4
Implement Changes/Evaluate Results		Q3/4	Q3/4

5 FINANCIAL RETURNS

The CNEA has four revenue sources: admissions, concessions, parking and exhibitor rentals. Likewise, the CNEA has three cost programs: marketing, general management and attractions.

1996-99 Program Net Revenue/(Cost)



The table below displays the relative effect of these programs on the CNEA's profit/losses since 1996, plus projections for 2000 and 2001.

Net Profit/(Loss)	(\$711,260)	\$324,907	(\$1,993,625)	\$36,971	\$507,300	\$557,300
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A - 1999 Operating Budget

The CNEA's preliminary 1999 budget projects a marginal profit based on reduced expenditures and revenues compared with 1998. Refined pricing and attendance figures referenced above will further enhance CNEA's 1999 bottom line. The outcome of the BOG overhead cost recalculations and incremental program efficiencies/revenues could further improve the 1999 operating surplus.

B - 2000-2001 Operating Budget

The nature of the issues identified in this report suggests there are opportunities to enhance future revenues and reduce expenses. At this stage however, it is not possible to catalogue returns anticipated from all workplans. The 2000-2001 figures include projected changes only from initiatives currently underway eg. Admissions (1999 pricing strategy), Exhibitor Rentals (exhibitor growth), Fair Administration (lower overhead costs), and expanded marketing. If properly executed, most of the workplan results will be in place by 2001 and the results evident. Additionally the precise operating costs (e.g. capital replacement) of a fully independent CNEA will be understood. The CNEA will be in a better position to assess the viability of pursuing independence.

6 CONCLUSIONS

The activities pursued by the CNEA since 1997 provide a foundation for a successful business turn-around. These include hiring a senior executive, restructuring the organization, initiating service level and cost negotiations and revisiting admission pricing and strategy. The decision to continue the exhibition in its current format provides a known base from which to grow.

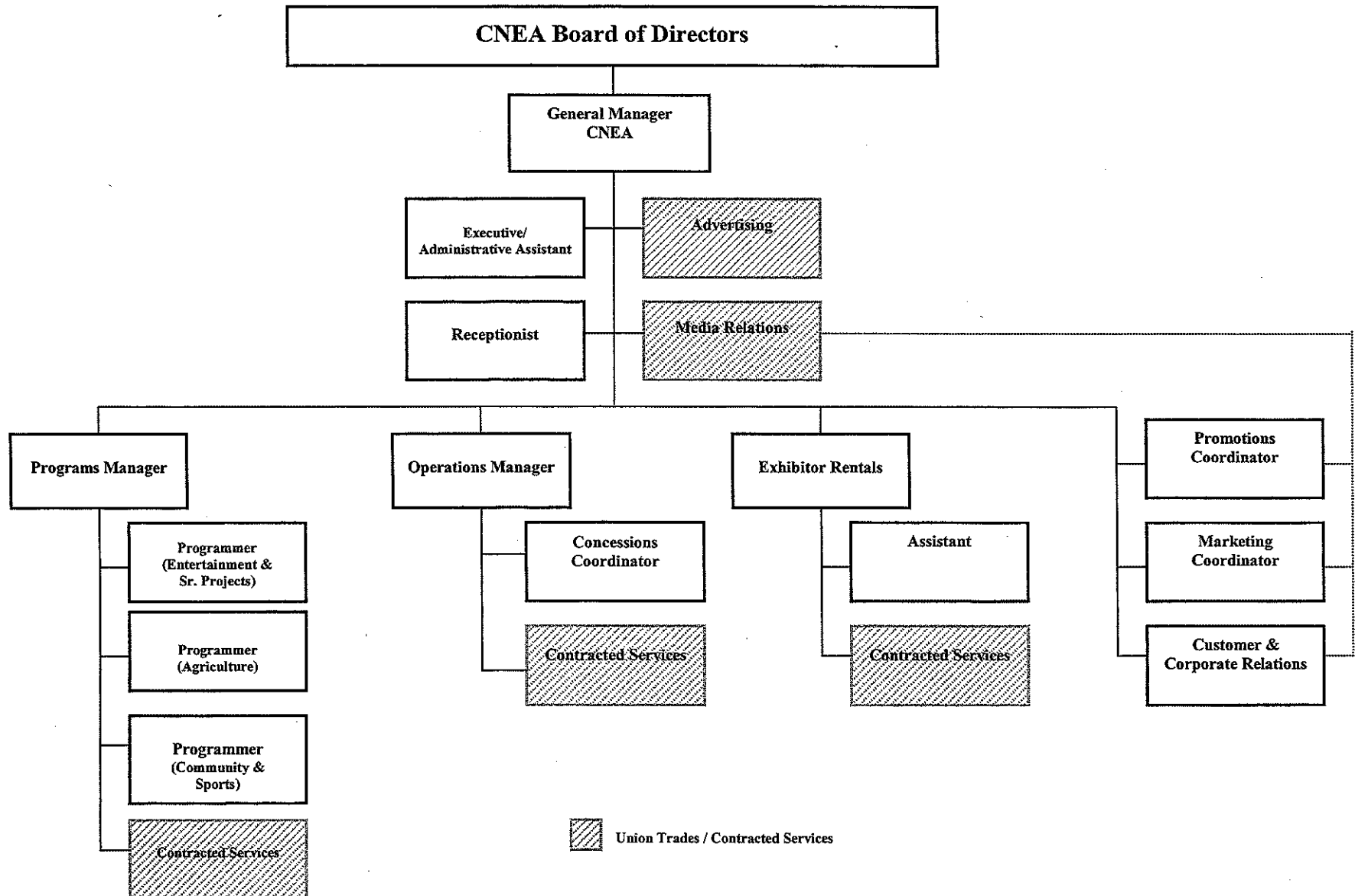
The 1999 exhibition plan reflects decisions regarding admission pricing and strategy. The quality of the event itself will reflect the organizational decisions taken. If projections of paid attendance materialize and expenditure controls are successfully negotiated, the exhibition's 1999 financial results should be positive.

The post-1999 business plan provides the CNEA with the timetable to review its component programs in order to maximize financial return. The process ensures that the CNEA can access the skills needed to achieve successful results. In addition, interim management actions are implemented to promote effective decision making and support longer term goal setting. The scheduling of individual workplans is designed to achieve results in a timely manner and deliver a positive return to the CNEA.

The business plan will enable the CNEA to accurately assess the challenges and opportunities associated with independence and knowledgeably re-negotiate an extension to the Memorandum of Understanding against a realistic timetable of prerequisite events.

CANADIAN NATIONAL EXHIBITION ASSOCIATION

ORGANIZATION STRUCTURE - Appendix A



IMPLEMENTATION OF MOU - TARGET DATES

Accomplished

October, 1997	CNEA engaged Caldwell Partners to assist with recruiting of General Manager, CNE
December, 1997	MOU approved by CNEA Board of Directors, Board of Governors, Metro Council
January, 1998	Press Building renovations complete and consolidation of all CNEA staff
January, 1998	Graeam Page Consultants Inc. presented draft of report on the Facilitation of the CNE Business Plan
February, 1998	Board of Directors, CNEA approved hiring of David Bednar, GM, CNEA
May, 1998	David Bednar started in position of GM, CNEA
May, 1998	Adoption by Board of Directors, CNEA of formation and mandate of Executive Committee
June/July/August 1998	Planning/Production of 1998 CNE
October, 1998	Board of Directors, CNEA and Board of Governors approved of a joint sponsorship/marketing strategy for the grounds
October/November 1998	Board of Directors, CNEA and Board of Governors approved of new downsized organizational structure for CNEA Program
November/December 1998	Collecting of all Board/CNEA equipment/inventory data and assessment of storage needs commenced
November, 1998	Board of Directors, CNEA established a Business and Long-Range Planning Task Force to develop business objectives and plan for 1999 CNEA
November, 1998	Adoption by CNEA Board of committee structure for CNEA
December, 1998	Board of Governors approved 1999 Operating Budget including budget for 1999 CNE

To be accomplished

December, 1998/ January, 1999	1999 CNE Draft Business Plan before Board of Directors, CNEA
January, 1999	Continuing collection of Exhibition Place/CNEA records inventory data
January/February, 1999	Analysis and recommendation on 1999 Admission rates before CNEA Executive Committee
February, 1999	Establishment of move-in, move-out and exhibit days for all sites and buildings for 1999 CNE
February, 1999	Reallocation of Overhead Expenses to specific direct cost accounts within 1999 Operating Budget of CNEA and Exhibition Place programs and site location cost for 1999 and subsequent report to City of Toronto Council through 1999 Operating Budget approval process
February/March, 1999	Analysis of equipment/records inventory data and users and present day value of inventory to determine ownership and/or transfer of ownership vis-à-vis Board and CNEA. Analysis will also include storage location needs and rental rate for equipment
March/April 1999	Presentation of a Business Plan to the Board of Directors, CNEA and Board of Governors
May/June/July, 1999	Joint analysis by staff for CNEA and Exhibition Place of services supplied by Exhibition Place and efficiencies/effectiveness of those services and necessary reporting out to respective Boards of any changes
September/October, 1999	Assessment of financial success of 1999 CNE and necessity of establishing line of credit for future years and level of such line of credit
September/October/ November, 1999	Analysis and report to respective Boards on issues related to transition of Board staff; legislative changes required CNEA Act and City of Toronto Act; terms and conditions of future agreement between CNEA and Board of Governors/City of Toronto